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Newman & Partners

Licensed Insolvency Practitioners

RECOVERY & REVIVAL BULLETIN

Welcome to the latest issue of our Recovery and Revival Bulletin, designed to keep you up-to-date on insolvency matters that may be of interest to you. If you have any feedback on this bulletin, or would like to know more about our services or how we can help you, please contact us on **020 8357 2727** or at **insolvency@newmanandpartners.co.uk**

Could Brexit be to blame for the latest surge in business insolvencies?

Research suggests that almost 800 businesses were forced to cease trading last month and that a further 1,093 firms are expected to wind up by the end of January 2017. With data from the Insolvency Service (IS) suggesting that corporate insolvencies rose steadily in the last half of 2016, some might say that the Brexit vote could be partially to blame for this sudden and sustained surge.

Many commentators suggest that the UK economy appears resilient in the wake of the European Union (EU) Referendum, but opposing research has found that some ‘vulnerable’ business sectors – such as the construction industry – have been hit hard by the weaker pound.

In the second quarter of 2016, it is estimated that around 2,450 construction companies ceased trading. During that same period, 2,065 businesses in the vehicle retail, wholesale and repair sector faced a similar fate. In many cases, this can be attributed to restricted cash flow, which could potentially become more of a problem in the near future for ‘vulnerable’ businesses reliant on trade with European Union member states.

The figures suggest that the Referendum result alone may have already put the frighteners on overseas trade, while the devaluation of sterling has also dealt a significant blow to many firms, according to reports. Meanwhile, a separate study carried out by trade body R3 found that 45 per cent of firms that have ceased trading since 23 June 2016 cited Brexit as a contributing factor behind their demise.

Insolvency bodies have since warned that a so-called ‘Hard Brexit’ could lead to an ‘insolvency pile-up’. As always, businesses are advised to keep a keen eye on their cash flow and be on the lookout for any early warning signs which may help to identify potential problems looming on the horizon.

Providing the right advice to your clients during a period of economic uncertainty is crucial, and concerns regarding bankruptcy or insolvency are always best explored sooner rather than later. At Newman and Partners we are carefully assessing the situation to ensure that we can act quickly when changes occur. To find out more about our proactive services, please contact us.

Economists eye up inflation woes for 2017 – but what does this mean for insolvencies?

A survey of UK economists carried out by the Evening Standard ahead of Christmas has shed light on economic fears and predictions for 2017 – suggesting inflation woes and sustained post-Referendum uncertainties. Collectively, economists have predicted growth of just 1.2 per cent over the course of 2017, suggesting that Britain faces its toughest financial year since 2009.

The Bank of England expects inflation to peak at around 2.7 per cent by the end of 2017, while high street bank HSBC is bracing itself for a peak of 3.6 per cent. A rise in inflation of any magnitude will inevitably have a knock-on effect on personal and corporate insolvencies.

On the corporate front, business revenues would take a hit as cash-strapped consumers begin to shy away from spending, thus restricting cash flow for numerous firms – particularly those specialising in the sale of non-essential goods or services.

On the personal side, Britons who indulged in a so-called ‘borrowing binge’ this Christmas, in the aftermath of 2016’s surprise interest rate cut, could be forced to borrow even more in order to purchase essential consumables, and may soon find themselves owing much more than they are able to pay off.

Data released earlier this month suggested that UK families owed a grand total of £66.7billion on credit cards, loans and overdrafts by the end of November 2016.

This astonishing figure excluded mortgage borrowing, and experts warn that, even now, ‘perilously’ few families have plans in place to repay the debts that they owe.

The figures, which come from the Bank of England, suggest that the average household owed approximately £7,400 on credit cards, overdrafts and loans alone by the end of November.

Samuel Tombs, chief economist at Pantheon Macroeconomics, warned that “such rapid growth in unsecured credit is unsustainable,” while Peter Tutton of debt charity StepChange added that “alarm bells should be ringing”.

Our team at Newman and Partners can provide help to you if your client is struggling with personal or corporate debt issues. To find out more about our pro-active services, please contact us.

Increasing number of property sector firms facing ‘financial distress’, study suggests

Many estate agents and other prominent businesses operating in the property sector are ‘near breaking point’, following a year of tax and legislative shake-ups against a backdrop of economic uncertainty. The news, which made headlines throughout December, follows a recent study which suggests that almost 26,000 UK property firms are currently facing ‘financial distress’.

According to the research, the number of high street estate agents facing distress swelled by 11 per cent over the course of 2016, with more than 3,000 agents reporting a ‘poor financial state’ by the end of November.

In the City of London, the number of agents struggling to make ends meet rose by 22 per cent year-on-year, from just 875 to 1,066 by the end of November 2016.

Experts suggest that a wave of unfavourable tax and legislative changes introduced in recent months, including a three per cent Stamp Duty Land Tax (SDLT) surcharge payable upon purchase of second homes (introduced in April) and a crackdown on letting agent fees (revealed in the November Autumn Statement), have pushed many estate agents to the brink.

Brexit uncertainties, property prices increasingly out of reach for first-time buyers and hefty SDLT costs deterring people from moving house have also all weighed heavily on property market activity throughout 2016, thus restricting cash flow for estate agents and other property sector-reliant businesses.

Housebuilders’ share prices reportedly fell by almost 40 per cent in the immediate aftermath of the Brexit vote and currently still sit at around 15.6 per cent below pre-Referendum levels, according to The Financial Times. While more widespread legislative changes throughout 2016, such as the ever-rising National Living Wage (NLW) and the advent of pension auto-enrolment, are also likely to have hit struggling firms in this sector, and others, hard.

Our team at Newman and Partners can provide help to you if your client is struggling with debt issues or facing insolvency. We can also offer proactive advice on personal bankruptcy and corporate insolvency. To find out more about our debt management services, please contact us.

Newman & Partners Insolvency
Lynwood House
373/375 Station Road
Harrow
Middlesex HA1 2AW

T: 020 8357 2727
F: 020 8357 2027

E: insolvency@newmanandpartners.co.uk
W: www.newmanandpartners.co.uk

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